

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 CIAE-00 EB-08 INR-07 LAB-04 NSAE-00

SIL-01 ERDA-07 AID-05 CEA-01 DODE-00 FEAE-00

FPC-01 H-02 INT-05 L-03 NSC-05 OMB-01 PM-04

USIA-15 OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-10

EA-09 /126 W

-----191448Z 007851 /46

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FM AMEMBASSY MANAMA BAHRAIN

TO SECSTATE WASHINGTON DC 4519

INFO USDOC WASHINGTON DC

AMEMBASSY ABU DHABI UAE

AMEMBASSY DOHA QATAR

AMCONSUL DHAHRAN SAUDI ARABIA

AMEMBASSY JIDDA SAUDI ARABIA

AMEMBASSY KUWAIT KUWAIT

AMEMBASSY MUSCAT OMAN

UNCLAS MANAMA 864

ABU DHABI PLEASE PASS DUBAI

E.O. 11652: N/A

TAGS : EIND, ELAB, BA, US

SUBJECT : MAJOR AMERICAN FIRM FACES AT LEAST SHORT-TERM PROBLEMS

1. BROWN AND ROOT, THE MAJOR AMERICAN FIRM IN BAHRAIN, HAS ANNOUNCED SUBSTANTIAL CUTBACKS IN ITS EMPLOYMENT ONSHORE IN BAHRAIN. CONTRARY TO PRESS REPORTS IN BAHRAIN, KUWAIT, AND MOST RECENTLY IN THE MIDDLE EAST ECONOMIC DIGEST, BROWN AND ROOT OFFICIALS INFORMED US THAT THE FIRM IS NOT "PULLING OUT" OF BAHRAIN. IT IS, HOWEVER, RETRENCHING FOR THE SUMMER MONTHS WITH EXPECTATION THAT IT WILL BE REHIRING AGAIN IN THE EARLY FALL.

2. THE FIRM SPECIALIZES IN THE DESIGN, PROCUREMENT, LAND

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FABRICATION AND OFFSHORE INSTALLATION OF MARINE PLATFORMS, THE LAYING OF SUBMARINE PIPELINES AND ASSOCIATED MECHANICAL WORK. IT HAS NOT WON ANY NEW CONTRACTS FOR ITS ONSHORE FABRICATION YARD IN THE BAHRAIN PORT AREA AND THEREFORE IT HAS ANNOUNCED THE TERMINATION OF EMPLOYMENT OF ALMOST ALL OF ITS BAHRAINI EMPLOYEES AS WELL AS MOST OF THE EXPATRIATES RESIDENT IN BAHRAIN WHO WORKED IN THE ONSHORE FACILITY (THIS

INCLUDED FILIPUNOS, THAIS AND TAIWANESE IN ADDITION TO AMERICANS). THE OFFSHORE SEGMENT OF THE FIRM IS EXPECTED TO BE FULLY OCCUPIED WITH ONGOING WORK FOR THE SUMMER SEASON AND BROWN AND ROOT TOLD US THAT IT FULLY EXPECTS TO BE A MAJOR LOCAL EMPLOYER AGAIN NEXT FALL.

3. BROWN AND ROOT HAS BEEN A SIGNIFICANT EMPLOYER OF SKILLED BLUE-COLLAR BAHRAINIS, PARTICULARLY WELDERS AND FABRICATORS. AT THE TIME OF THE ENACTMENT OF THE NEW LABOR AND SOCIAL INSURANCE LAWS IN BAHRAIN IN AUGUST 1976, BROWN AND ROOT EMPLOYED JUST UNDER ONE THOUSAND ONSHORE AND JUST OVER ONE THOUSAND OFFSHORE, MAKING IT ONE OF THE MAJOR EMPLOYERS ON THE ISLAND AND MOST CERTAINLY THE MAJOR AMERICAN FIRM IN BAHRAIN (EXCEPTING THE BAHRAIN PETROLEUM COMPANY WHICH IS REGISTERED IN CANADA BUT OWNED 40 PERCENT BY CALTEX).

4. COMMENT: BROWN AND ROOT'S PROBLEMS ARE COMPLEX AND WE ARE NOT CERTAIN WE HAVE THE FULL STORY BEHIND CHANGES IN ITS OPERATUON HERE. IT HAD BEEN UNHAPPY WITH THE NEW LABOR AND SOCIAL INSURANCE LAWS, AS WERE MOST LARGE FOREIGN AND LOCAL FIRMS, AND WAS OPENLY HINTING LAST AUGUST AND SEPTEMBER THAT IT WAS CONSIDERING MOVING TO SHARJAH OR SOME OTHER MORE UN-REGULATED LOCALE IN THE GULF (SEE 76 MANAMA 1371). REGIONALLY IT HAS BEEN FACING NOTICEABLY INCREASED COMPETITION FROM FOREIGN FIRMS, ESPECIALLY KOREAN ONES, WHICH ARE WINNING MAJOR CONSTRUCTION CONTRACTS IN A NUMBER OF GULF STATES WHERE BROWN AND ROOT USED TO BE DOMINANT. FURTHER, AS IS NOW WELL KNOWN, RECENT AMERICAN TAX LAW CHANGES HAVE MADE OPERATIONS YET MORE EXPENSIVE FOR AMERICAN FIRMS AND BROWN AND ROOT HAS BEEN UNCLASSIFIED

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MADE EVEN LESS COMPETITIVE THAN HAD ALREADY BECOME THE CASE.

5. IN AUGUST 1976 BROWN AND ROOT EMPLOYED APPROXIMATELY 500 BAHRAINIS ONSHORE. THIS IS A SIZEABLE CHUNK OF THE SKILLED INDIGENOUS LABOR FORCE OF BAHRAIN WHICH THE LOCAL MARKET WILL HAVE GREAT DIFFICULTY FULLY ABSORBING, PARTICULARLY DURING THE SLOW SUMMER SEASON. CLUVERIUS

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Message Attributes

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